

amendments to the bill, Mr. President.

PRESIDENT: Thank you. Senator Abboud, please.

SENATOR ABOUD: Mr. President, colleagues, the purpose of LB 296 is to provide uniformity between state and federal statutes authorizing state chartered banks to amortize loan losses over a term of years. Now, in particular, LB 296 would authorize state chartered banks, which have suffered a decline in their capital accounts as a result of loan losses, to amortize their loan losses over a seven-year period rather than the five-year period currently established in state statute. Now why is that provided and why is that needed at this time? Well, the federal laws were changed. Back in 1986 we adopted this Section 8, 132-102. It was one of the first types of legislation providing for this type of law in the country and it was intended to provide a period of time for banks to work out severe loan problems which were draining their capital accounts. In the absence of the statute, all loan losses were required to be charged off immediately. Amortization simply allows those losses to be spread over a five-year period as long as the bank did so according to a plan that was authorized by the Department of Banking and Finance. In 1987 and in 1988, Congress reacted to the pressures in the banking industry with similar legislation at the federal level. Amendments were made to the Federal Deposit Insurance Act which authorized the amortization of certain losses over a period of seven years. Rules and regulations of the FDIC were subsequently amended to provide for the mechanization for amortization programs. All state chartered banks are insured by the FDIC at the current time in this state. As such, the above referenced federal statute and regulations of the FDIC are applicable to the state chartered banks at this time. It is very impractical, if not impossible, for banks which need a loss program to comply with both the state and federal laws when the amortization periods are different. So it provides for the same period, changing from five to seven years. And it makes, I think, for a better system. It helps to keep some of the banks that are having problems at this time afloat. Now there aren't any changes as far as the information dealing with losses. All losses are disclosed to the public. There is no change in the laws as far as that goes. Everything is disclosed to the public. It's a matter of public record. That's it. I would be happy to answer any questions if there were any.